SVKM's
D. J. Sanghvi College of Engineering

Program: B.Tech in Production Engineering **Academic Year: 2022** **Duration: 3 hours**
Date: 04.01.2023
Time: 10:30 am to 01:30 pm
Subject: Corporate Finance Management (Semester VII) **Marks: 75**

Instructions: Candidates should read carefully the instructions printed on the question paper and on the cover page of the Answer Book, which is provided for their use.

(1) This question paper contains two pages.
(2) All Questions are Compulsory.
(3) All questions carry equal marks.
(4) Answer to each new question is to be started on a fresh page.
(5) Figures in the brackets on the right indicate full marks.
(6) Assume suitable data wherever required, but justify it.
(7) Draw the neat labelled diagrams, wherever necessary.

Question No.			**Max. Marks**
Q1	a	Write down the classification of financial markets. **OR** What is the role of SEBI in capital market?	[5]
Q1	b	Discuss various functions of Financial Market	[10]
Q2	a	The financial statements of Matrix Limited are shown below:	[10]

Matrix Limited: Profit and Loss Account for the year ending 31st March 20X1

(Rs. in Million)

	20X1	*20X0*
Net sales	1065	950
Cost of goods sold	805	720
Stocks	600	520
Wages and salaries	120	110
Other manufacturing expenses	85	90
Gross profit	260	230
Operating expenses	90	75
Depreciation	50	40
Selling and general administration	40	35
Profit before interest and tax	170	155
Interest	35	30
Profit before tax	135	125
Tax	50	45
Profit after tax	85	80
Dividends	35	30
Retained earnings	50	50

Matrix Limited: Balance Sheet as at 31st March 20X1

(Rs. in million)

	20X1	*20X0*
I. Sources of Funds		
1. Shareholder's funds	505	455
(a) Share capital	125	125
(b) Reserve and surplus	380	330
2. Loan funds	280	260
(a) Secured loans	180	160
(i) Due after 1 year	130	135
(ii) Due within 1 year	50	25
(b) Unsecured loans	100	100
(i) Due after 1 year	60	70
(ii) Due within 1 year	40	30
Total	785	715
II. Application of Funds		
1. Net fixed assets	550	495
2. Investments	30	25
(a) Long term investments	20	20
(b) Current investments	10	5
3. Current assets, loans and advances	355	333
(a) Inventories	160	138
(b) Sundry debtors	120	115
(c) Cash and bank balances	25	20
(d) Loans and advances	50	60
Less : Current liabilities and provisions	150	138
Net current assets	205	195
Total	785	715

Prepare the classified cash flow statement

OR

b

1. What do you understand by annuity? What is the difference between ordinary annuity and an annuity due? [5]
2. What is the relationship between risk and return as per Capital asset pricing model (CAPM) ? [5]

c Why is standard deviation employed commonly in finance as a measure of risk? [5]

Q3 a The stock of Box Limited performs well relative to other stocks during recessionary periods. The stock of Cox Limited, on the other hand, does well during growth periods. Both the stocks are currently selling for Rs.100 per share. You assess the rupee return (dividend plus price) of these stocks for the next year as follows : [10]

	Economic Condition			
	High growth	*Low growth*	*Stagnation*	*Recession*
Probability	0.3	0.4	0.2	0.1
Return on Box's stock	100	110	120	140
Return on Cox's stock	150	130	90	60

Calculate the expected return and standard deviation of investing:

(a) Rs.1,000 in the equity stock of Box Limited

(b) Rs.1,000 in the equity stock of Cox Limited

OR

1.Discuss various decisions of corporate finance.

2.Discuss the important turnover ratios. [10]

Q3 b What are various factors affecting Investment Decision in Corporate Finance. Explain in brief. [5]

<table>
<tr><td>Q4</td><td>a</td><td>Solve Any Two
1. What is Capital Budgeting? Discuss the various factors that influence the capital budgeting decisions.
2. What are the various sources of working capital
3. Which is better method to evaluate investment NPV or IRR ?</td><td>[10]</td></tr>
<tr><td>Q4</td><td>b</td><td>The expected cash flows of a project are as follows:
<table><tr><td>Year</td><td>Cash flow</td></tr><tr><td>0</td><td>100,000</td></tr><tr><td>1</td><td>20,000</td></tr><tr><td>2</td><td>30,000</td></tr><tr><td>3</td><td>40,000</td></tr><tr><td>4</td><td>50,000</td></tr><tr><td>5</td><td>30,000</td></tr></table>The cost of capital is 12 percent. Calculate the following: (a) net present value, (b) benefit-cost ratio, (c) internal rate of return.</td><td>[5]</td></tr>
<tr><td>Q5</td><td>a</td><td>Solve Any Two
1. What is the equity shareholders' right to income and control?
2. What are the different types of dividend policies?
3. Discuss the factors which are relevant for determining the payout ratio.</td><td>[10]</td></tr>
<tr><td>Q5</td><td>b</td><td>The following information is available for Kavita Musicals.
■ Earnings per share : Rs.5.00
■ Rate of return required by shareholders : 16 percent
Assuming that the Gordon valuation model holds, what rate of return should be earned on investments
to ensure that the market price is Rs.50 when the dividend payout is 40 percent?</td><td>[5]</td></tr>
</table>

All The Best